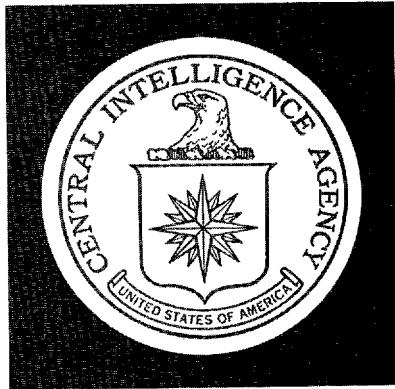


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DIRECTORATE OF  
INTELLIGENCE

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[South Vietnam: President Thieu is taking steps to have a progovernment bloc organized in the Lower House, which has frequently delayed or obstructed passage of important executive-sponsored legislation.]

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[Thieu is working through his legislative liaison officer, Nguyen Cao Thang, to line up members of the existing Independence, Unity, and Democratic blocs. The government is to cooperate in funneling pork barrel projects to the deputies' constituencies and will provide them financial "contributions." In return, the deputies will sponsor legislation desired by the President and keep him informed of behind-the-scenes developments.]

\* \* \* \*

Prime Minister Huong has clarified his attitude regarding the National Liberation Front in a press interview on 25 June.

He said that discussions with the Front would mean recognition of a "nation in a nation," a situation which would be unacceptable. He further suggested that such talks would implicitly undercut the position that the conflict is a war of aggression from the North and would lend substance to the Communist claim that it is a civil war.

Huong recalled that he had two sons who had participated in the Viet Minh fight against the French but were executed by the Communists when they did not accept Communist doctrine. This clarification followed an outburst on 24 June in the Lower House against some remarks by Huong which apparently were taken by the deputies to suggest that an accommodation with the Communists might be possible. ]

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Enemy forces continue to avoid major contact with allied forces throughout most of South Vietnam. Saigon was free from shelling and other enemy activity on 24-25 June for the fourth consecutive night.

Elsewhere in III Corps and to the north, there have been few terrorist incidents, and most contacts have resulted from allied initiatives. Meanwhile, Communist ground attacks and shellings have become more frequent in the delta provinces of IV Corps.

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East - West Germany: East Germany has taken strong exception to Allied imposition of fees for East Germans traveling to NATO countries.

The East German Foreign Ministry charged that East Germans were being treated as "second-class" citizens, forced to accept "degrading" and "internationally invalid" travel documents. Following the imposition of the new regulations last week, travelers purchased the documents without complaint. The number of travelers during this period has been unusually low, however.

An announcement by a Christian Democratic Union (CDU) Bundestag member on behalf of the Council of Elders on 24 June that parliament's two "work week" sessions would be held in West Berlin this fall is certain to stir Pankow's ire. The "work weeks" are scheduled for September and October and are to be followed by a CDU convention in Berlin, possibly in November.

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Italy: Premier Giovanni Leone is expected to receive a vote of confidence next week for his new Christian Democratic minority government.

The Unified Socialist Party and the small Republican Party have participated with the Christian Democratic Party in center-left governments in recent years and are not expected to vote against Leone's investiture, although they may abstain. His government probably will last until the Unified Socialist Party holds its congress later this year and decides whether or not to enter a Christian Democratic government.

In the interim, the government may face some trouble from the Communists. At a recent central committee meeting, the party called on its supporters to contribute to "movements of struggle which are violently developing." Secretary Longo expressed hope for coordination of student demonstrations with the workers' movement and the general wave of protest in the country. The Italian Communists heretofore have tried to contain the student demonstrations which have occurred sporadically throughout the country since November. Last weekend, however, they supported students' efforts to disrupt the Venice art show.

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Indonesia: President Suharto's recently installed cabinet is enjoying unusual popular acceptance thus far.

The important role played by civilian technicians, particularly in the key economic sectors, has reduced criticism of "militarism" as a political issue. The cabinet's position has been enhanced further by Suharto's dissolution of his personal staff, which has made possible more direct contact between the President and his ministers.

Most popular of the new cabinet members is Trade Minister Sumitro, a former economics professor and a political exile during much of the Sukarno era. Sumitro's flare for press relations and his frank, detailed analyses of trade problems have created an atmosphere of confidence within the business community, which appears to regard him as an economic miracle worker who can solve the nation's problems.

Muslim elements are privately bitter over their small role in the new government, but they are not yet sufficiently cohesive to present any effective opposition.

The new cabinet has generated exaggerated hopes that will be difficult to satisfy. Failure to meet these expectations would tend to discredit the government's current rational and pragmatic approach and would work to the advantage of traditionalist and opportunistic political forces.

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Argentina: The government has cracked down on the provincial judiciary in Santa Fe Province for interfering with police control of students.

An "interventor" has been appointed to reorganize the courts and replace the provincial judges, although there is little legal basis for such a move. Interior Minister Borda at first denied that the government would interfere, but later reversed his position, probably at the direction of the President.

Since taking power in June 1966, the Onganía government has tried to maintain the impression that the judiciary would remain independent of the central government. Although the government has been defeated in several court cases in recent months and has bowed to these court decisions, it apparently does not intend to accept judicial interference in what it considers to be essential matters.

The move against the judges in Santa Fe should warn other areas that the government will tolerate only limited opposition from the courts.

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Uruguay: President Pacheco ordered government bank employees back to work on 24 June.

Communist-led bank workers had continued to agitate for higher wages despite the imposition of a limited state of siege on 13 June. Pacheco sent soldiers and sailors to occupy the government bank on Monday and ordered bank employees to maintain normal service or face "military punishment."

Military intervention is unprecedented and could precipitate renewed labor and student violence. Although the bank workers union has little popular support, leaders of other labor unions may believe that they cannot let this challenge to labor go unheeded. Because he continues to head a minority government, the President may be unable to impose effective sanctions on key labor leaders.

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NOTE

Sudan: The Sudan is facing its most serious financial crisis in recent years. Although cotton exports--the country's largest source of foreign exchange--are up from last year, foreign exchange holdings have dwindled drastically. Rumors are circulating in Khartoum concerning various plans to improve the situation, such as restrictions on imports. The government is so disorganized, however, that it is unlikely to come up with any well-coordinated scheme.

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